9. POTENTIAL FUNDING SOURCES

This section describes potential sources of federal and state funding and potential matching local funds to implement beach nourishment in southern Monterey Bay. MBNMS (2007a) provided an initial assessment of potential funding mechanisms for short- and long-term shoreline nourishment projects, which is used as a basis for this review.

9.1 FEDERAL FUNDING SOURCES

9.1.1 U.S. Army Corps of Engineers

The Corps is the primary federal agency funding shoreline restoration projects. Funds are available for a wide range of projects and are not limited to beach nourishment or large-scale structural alternatives; for example the Corps can participate in managed retreat projects. Funding mechanisms within the Corps consist of two major programs; the Continuing Authorities Program (CAP) and the General Investigations (GI) approach. For smaller projects, the Corps may act directly under CAP without authorization from Congress. CAP includes a number of standing authorities to study and construct certain specific projects. Projects that are larger in scope require congressional authorization and would fall under GI (i.e. a project larger than the CAP program funding limits). GI recommendations go before Congress for project (construction) authorization and funding. Requests for projects with the Corps can be made at any time; however for new starts under the GI program, and the CAP in recent years, the requests are always linked to the budget cycle. All projects funded by the Corps require a study prior to implementation, unless the Corps is directed by a member of Congress to move ahead with the project. In either case the Corps will conduct NEPA and/or CEQA environmental documentation prior to implementation.

Continuing Authorities Program

The CAP program is made up of nine individual programs that are categorized by the type of project being proposed. All projects are cost shared between the federal government and a non-federal sponsor. A non-federal partner is a legally constituted public body, such as a city, state, county, or conservancy district that is capable of financing the project and providing for operation and maintenance of the project once completed. Sections 14, 103, 204, and 206 could potentially provide funding for beach nourishment projects in southern Monterey Bay:

- Section 14 Emergency stream bank and shoreline erosion: This program is authorized by Section 14 of the Flood Control Act and funds shoreline protection projects that protect public facilities including water and sewage treatment facilities, and roads that are in imminent danger of erosion. Private property is not eligible. Cost share requirements are 65% federal to 35% non-federal, and the maximum federal contribution is $1 million.

- Section 103 Hurricane and storm damage reduction (Beach erosion control): This program is authorized by Section 103 of the Rivers and Harbors Act and funds protection or restoration of public shorelines by the construction of revetments, groins, jetties, and sometimes beach nourishment. Design and construction cost share requirements are 65% federal to 35% non-federal, and the maximum federal contribution is $3 million.
- Section 204 Beneficial uses of dredged material: This program is authorized by Section 204 of the Water Resources Development Act and allows the use of dredged material from new or existing federal projects to restore, protect, or create aquatic and ecologically related habitats, including wetlands. The total project cost is shared 75% federal and 25% non-federal, and the maximum federal contribution for project development and construction is $5 million.
- Section 206 Aquatic ecosystem restoration: This program is authorized by Section 206 of the Water Resources Development Act and funds aquatic ecosystem restoration projects that will improve the environmental quality, are cost-effective, and are in the public interest. Although not directly related to beach nourishment, it may be possible to link with projects that restore species habitat such as that of western snowy plovers. The total project cost share requirement is 65% federal to 35% non-federal, and the maximum federal contribution is $5 million.

General Investigations

In addition to CAP funding, it is possible to get GI funding for larger projects that do not fit within the CAP program, or a collection of several smaller projects. This type of funding requires congressional authorization through either a Senate Resolution (Environment and Public Works Committee) or House Resolution (Transportation and Infrastructure Committee). Alternatively authorization could be accomplished with language in the Water Resources Development Act which, in theory, is passed by Congress and signed by the president every two years. The General Investigations process comprises four phases:

- Reconnaissance Phase: Duration 9-12 months. Corps covers full cost. This phase identifies the Project Study Plan and cost share details.
- Feasibility Phase: Duration 1-3 years. 50% to 50% cost share (up to 50%, either sponsor share or can be in-kind). Average cost $700,000 to $1.5 million or more.
- Pre Construction Engineering and Design Phase: Duration 1-2 years. Cost share varies depending on the type of project (typically 65% to 35%, federal/non-federal).
- Construction Phase: Time varies depending on the project. Cost share varies depending on the type of project (typically 65% to 35%, federal/non-federal).

The GI process may take six years to reach the construction phase, once the funds are authorized, and then appropriated. After the reconnaissance phase there is a significant (50%) matching requirement by the local sponsor.

9.1.2 U.S. Fish and Wildlife Service

The USFWS administers a variety of natural resource assistance grants to government, public and private organizations, groups and individuals. One potential source of funding assistance for projects that restore wildlife habitat is the Cooperative Conservation Initiative. This program provides funding for projects that restore natural resources and establish or expand wildlife habitat. A 50% match is required of the project sponsor. The Cooperative Endangered Species Conservation Fund also provides funding for implementation of conservation projects or acquisition of habitat that will benefit federally-listed threatened or endangered species. The required match for this program is a minimum 25% of the estimated project cost by the local sponsor.

9.1.3 Monterey Bay National Marine Sanctuary

The MBNMS occasionally receives settlement funds from Sanctuary violations involving disturbance of the sea bed. These funds must be used to protect and restore Sanctuary habitats, and could potentially be used for evaluation, planning and implementation of projects related to retention of beach habitat. Provision of such funds would need to be complemented by funding from other sources.

9.2 STATE FUNDING SOURCES

9.2.1 California Department of Boating and Waterways

The CDBW is the California agency with responsibility for studying and reporting beach erosion issues in the state, and for developing measures to stabilize the shoreline pursuant to Article 2.5 of the Harbors and Navigation Code. Following the passage of the Public Beach Restoration Act (1999) the CDBW is also responsible for allocating funds for beach restoration projects (CDBW has no jurisdiction from a regulatory standpoint). The Public Beach Restoration Program (PBRP) developed as part of the Public Beach Restoration Act provides the funding vehicle for the legislature to support restoration, enhancement, and maintenance of California beaches (CDBW and SCC, 2002). The CDBW primarily funds promotion of boating activities, safety programs and boating access; beach erosion and restoration grants are the organizations only non-boating expenditures.

The PBRP funds beach nourishment projects, dune restoration, biological and sediment transport monitoring, and feasibility and research studies. In many cases, state money has been used to leverage federal Corps funding. The PBRP also allows for 100% funding of project construction costs for beach nourishment at state parks and state beaches, and a maximum (could be less depending on availability of funding) of up to 85% funding for projects at non-state beaches (the local sponsor provides a 15% match). CEQA documentation must be submitted with grant applications, and public beach access must be adequately addressed by the project.

Since the CDBW grant programs are limited fiscally, one possibility would be for various partners to approach state legislators and request funds be earmarked for a nourishment project. The southern Monterey Bay region has a potential advantage over locations in southern California since there is a 60% to 40% split between southern and northern California for funding not assigned to a specific project. While there is intense competition due to the large number of projects in the south, the only major project area competing for funding in the northern part of the state is Ocean Beach in San Francisco. However, funds deposited in the PBRP are often earmarked for specific projects. Regardless, a local source of funding is required to provide matching funds for any project.

9.2.2 California Coastal Conservancy

The California Coastal Conservancy (Conservancy) is a state agency that uses entrepreneurial techniques to purchase, protect, restore, and enhance coastal resources, and to provide access to the shoreline. The Conservancy works in partnership with local governments, other public agencies, non-profit organizations, and private landowners, and has carried out more than 1,000 projects along the California coastline and in San Francisco Bay. The Conservancy funds shoreline protection projects that are consistent with the goals of the CCA. Similar to CDBW grants, the availability of Conservancy grant money is entirely dependent upon availability of funds (mostly bond issues). The Conservancy can fund pre-project feasibility studies, property acquisition, planning (for large areas or specific sites), environmental review, construction, monitoring, and in limited cases, maintenance.

9.2.3 California Coastal Commission

A potential source of funding is fees collected by the Coastal Commission through the Coastal Development Permit (CDP) process, from special conditions on individual permits requiring mitigation fees. The Coastal Commission and SANDAG entered into a cooperative agreement through which a Public Recreation Beach Impact Mitigation Fund. The fund consists of fees collected by the Coastal Commission as mitigation for the adverse impacts on public recreational use of the region's beaches. Monies from the fund will be used to implement projects that provide public recreational improvements, including but not limited to public beach access, bluff top access, viewing areas, public restrooms, public beach parking, and public trail amenities. The role of SANDAG is to collect funds mandated by the Coastal Commission and hold the money in an interest-bearing account. SANDAG staff will work with local jurisdictions to process requests for funds. The use of funds requires local jurisdiction, Coastal Commission, and SANDAG approval. A similar fund could potentially be established to help fund beach restoration projects in southern Monterey Bay, with contributions from various future CDP processes.

In southern Monterey Bay, mitigation fees for a seawall currently being constructed at Ocean Harbor House were allocated by the Coastal Commission to dune acquisition. In order to change

the allocation, the recommendation would need to be revisited and approved by the Coastal Commission. Such a change would need to be supported by quantitative projections of the amount of sand estimated to be retained by the proposed project so that it could be compared to the estimated sand lost due to the seawall. It may also be possible to utilize some of these funds to aid in buying out the Marina sand mine operation.

9.3 LOCAL/REGIONAL MATCHING FUNDS

If the southern Monterey Bay area is going to be successful in attracting state or federal funding, some form of revenue stream must be developed at the local/regional level in order to leverage the state and federal funds. The local sponsor is typically required to provide 50% (Corps) or a minimum (and sometimes more) 15% (CDBW) to studies and construction. Revenue streams developed elsewhere to generate matching funds include a transient occupancy tax (TOT) levied on hotels (southern California and elsewhere), real estate transfer tax (RETT), tax levied on sporting goods (e.g. Texas), and parking or beach user fees. Other strategies that could potentially be implemented include cost-sharing among project beneficiaries and special assessments.

9.3.1 Transient Occupancy Tax

Transient occupancy taxes (TOTs) are hotel taxes levied on visitors. They are the primary source of local funding in several east coast states that have well established beach nourishment programs (e.g. Florida and New Jersey). In Florida, 55% of funding for beach nourishment projects is from local sources, mainly local TOTs. TOTs have recently been implemented by a few municipalities in southern California. The City of Carlsbad estimated that approximately $1 million could be raised annually by implementing a 1% increase in TOTs. In Solano Beach the City Council voted to increase the TOT by 3% (phased in over three years), of which two thirds will be used for sand replenishment/retention and coastal access projects (estimated to be $160,000 annually). Encinitas has a similar program in place.

The Sanctuary Beach Resort currently levies a $15 per night fee to occupants to fund restoration of habitat on its property.

9.3.2 Real Estate Transfer Tax

Real estate transfer taxes (RETTs) are assessed on real estate when a property changes hands. In California, the RETT is currently 0.11%. RETTs may be applied to residential sales or to other types of real estate transactions including commercial and industrial sales. Revenue raised from a RETT may be added to the jurisdiction's general fund or earmarked for specific uses, which could include beach nourishment.

9.3.3 Tax Levied on Sporting Goods

In 1993, the Texas State Legislature passed a bill for the revenue source for state and local parks to a draw from the general sales tax attributable to sporting goods. There is no separate state tax on sporting goods. Park funding comes from a portion of Texas general sales tax revenue that is 'attributed' to sporting goods. Sporting goods are defined as personal property designed and sold for use in a sport or sporting activity.

9.3.4 User Fees

Many local municipalities on the east coast and in southern California have implemented user fees as a source of funding for beach nourishment projects. This can include parking or beach-use fees, which are often levied on visitors, but not required of local residents. For example the City of Del Mar charges for parking in most areas near the beach.

9.3.5 Cost-Sharing Among Project Beneficiaries

In this strategy, the local share of the cost of a project would be distributed among the various entities that benefit from that project. The cost could be divided proportional to the total benefits attributed to each group (e.g. by the value of the property and the risk being averted). For example, for a project in southern Monterey Bay using this approach, the local costs may be borne by the City of Monterey, the City of Sand City, the private landowners (e.g. Ocean Harbor House homeowners, Monterey Beach Resort), and other potentially affected parties (e.g. MRWPCA, CDPR).

9.3.6 Special Assessments

In this strategy the local government places assessments on properties that would receive a higher proportion of the benefits derived from the project. For example, private property at high risk of erosion damage would be required to pay a special fee that would not be required of other properties that are not at risk and proportionally higher than those that are at moderate or low risk. In Florida, the state assesses a tax based upon the distance of the structure from the beach.